

# Remittance Expenditure Patterns and Human Development Outcomes in Nigeria

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## Abstract

This paper investigates the relationship between remittance expenditure patterns and its human development implications in migrant sending communities of Nigeria. In Nigeria, migrant sending communities spread across the country and the expenditure patterns of remittance receipts are likely to differ in characterization along states or geographical regions. This possibility is expected to significantly affect the human development outcomes of remittance expenditures in these communities within the country. The paper therefore probes into the extent to which human development outcomes in migrant sending communities of Nigeria can be associated with remittance expenditure patterns across the country. The study employs survey data from the World Bank *Migration and Remittances Household Surveys in Sub-Saharan Africa, 2009/2010*. Descriptive analyses of the data were conducted to achieve the objectives of the study. The results clearly exhibit remittance expenditure patterns across the regions of the country that are largely similar. The findings therefore provide a basis for a harmonized policy approach for channeling household remittance receipts into greater productive uses.

**Keywords:** Remittance, Nigeria, expenditure patterns, human development, survey data

## 1. Introduction

Migration is widely regarded as a dynamic process that is sensitive to social and economic issues at both micro and macro levels. A major incentive for the migration of people all over the world remains the lack or near absence of opportunities at home and the hope of economic gains in destination communities. In other words, many people migrate with the hope that migration will help associate them more closely with available economic opportunities such as gainful employment and services in a foreign land. The positive aspects of migration can lead to economic gains for both the migrant sending and migrant receiving communities. An important link between migration of people and human development of the migrant sending community is the remittances sent to family members and loved ones of the migrants who live back in the migrants' country of origin. Migration and remittances are generally regarded as part of risk-spreading and co-insurance livelihood strategies pursued by households and families. Migration and remittances also have the *potential* to improve well-being, stimulate economic growth and reduce poverty directly and indirectly.

The number of international migrants has continued to be on the increase over the years. In 2000, there were 175 million international migrants in the world, that is, one out of every 35 persons in the world was an international migrant. This total represented more than a twofold increase from 76 million in 1960 (International Organization for Migration, 2005). In 2010, the total number of international migrants in the world was estimated at 214 million people – up from 191 million in 2005 (International Organization for Migration, 2011). The need to strengthen the migration–development link has become more compelling with respect to the realization that the earnings of the large number of Diaspora scattered worldwide could be used to reduce poverty in the countries of origin and also affect development. Remittances are essential economic force that can bring about development, such as social and infrastructural amenities especially in the rural areas. As a result of regional inequalities, migration has been on the increase. While some regions or countries are considered as privileged in terms of social and economic opportunities, others are considered as less privileged. Migration is said to be an equilibrating mechanism between these regions (Ranis and Fei, 1961; Adepaju 1987; Goyder 1995).

Fortunately, remittance flows have assumed an upward trend over the years. Migrants send remittances to their countries of origin and these monies are an important but relatively poorly understood type of international financial flow. Remittances may contribute to poverty reduction and the overall improvement of the household standard of living. Remittances may also help to increase and diversify income and allow household members to allocate more resources to the provision of food, have greater access to health services and even encourage schooling of children. However, all remittance recipient households in a country as diverse as Nigeria are not

likely to allocate remittance receipts productively for human development purposes. A number of questions therefore become quite compelling as follows: what role do the region of the country where each remittance recipient resides play in remittance expenditure patterns across migrant sending communities? Do differences in remittance expenditure patterns produce varying human development outcomes among migrant sending communities in Nigeria? To what extent will a common migration and remittance policy for the country bring about results that are comparable across the migrant sending communities in Nigeria? What are the most appropriate policy options for harnessing the human developmental potential of migration out of Nigeria?

This study investigates the role of remittance expenditure patterns on the level of human development of migrant sending communities in Nigeria. It does this by examining the relationship between international migration and remittances flow to the country and attempt to determine whether differences in the level of human development across the states or regions of the country can be explained by remittance expenditure patterns among migrant sending communities in Nigeria. Areas of potential impact on those left behind extend beyond income from remittances to the areas of education, health and household consumption. This study contributes to the literature by improving our understanding of the nature of required policies to harness the human developmental potential of migration out of Nigeria. The rest of the paper is divided into sections as follows: section two includes a brief review of the literature, section three deals with methodology and data while section four comprises of the descriptive and econometric analyses. This section also includes the discussion of results and policy issues emanating from the results. Section five is the concluding section.

## **2. Brief Literature Review on Remittances and Human development**

Arguably, Remittances have been a strong bond that helps the migrants to maintain constant contact with the place of origin. Besides, remittances overtime has also served as a compensating economic force for the shortages in rural labour supply due to migration and thereby increasing the income of the sending households with the desirable consequences of its multiplier effect in the income level (Rwelamira and Kirsten, 2003). Beyond the immediate effect on income however, there are mixed results on the effects of migration and remittances on health and education. Available evidences reveal that a larger portion of remittances by Nigerian migrant families are used for consumption; such as basic needs, health care, education, purchase of durable assets (radio, television, land, etc.), building houses, for wedding, burial, purchase of livestock, etc. (Adebayo, 2007; Hein de Haas, 2007 and Akinrinade and Ogen, 2011). A number of researchers from proximate contexts have evidence that the health and educational status of children in migrant sending households tend to improve with remittances. For example, findings in South Africa support the view that children from remittance-receiving households enjoy greater chances of enrolment in school than their counterparts from households that do not receive remittance (Lu and Treiman 2007; Mansuri 2007).

Elsewhere in Nicaragua and Guatemala, Fajnzylber and López (2007) found that remittances improved children's health particularly among low income households. McKenzie and Hildebrandt (2005) argued that children had gained improved access to medical care, particularly since migration had increased their parents' and relatives' awareness of the importance of health care. Lu and Treiman (2007) found that children from remittance-receiving households in South Africa are much more likely to be enrolled in school than their counterparts from other households. According to Adams (2005), households receiving international remittances in Guatemala spend 58 per cent more on education than households without remittances. Evidence from rural Pakistan also support the above finding as it reveals that children in migrant households are not only more likely to attend school, but they are also more likely to stay in school in the age range in which school dropout rates peak, and to have higher completed grades in their age cohort (Mansuri, 2007). Malone (2007) obtained a particularly interesting result in Mexico with the finding that the impact of remittances depends largely on the gender of the household head, emphasizing that education is likely to enjoy preference if remittances are sent by migrant fathers to mothers.

A contrary finding is noted in Miluka (2008), who in a study on Albania identified overall negative impacts of migration on education, particularly in rural areas and for girls. The study argued that the disruptive effects of migration on family life have hampered children's school performance. There is also the argument that children

from migrant households may suffer neglect due to lack of preventive health care, such as breastfeeding and vaccinations. Some studies have also expressed concerns about the negative health impacts of psychological troubles and difficulties triggered by parental absence or abandonment. Pinos and Ochoa Ordóñez (1998) observed that school performance among children from migrant households is often poor and sometimes hampered by drug and alcohol use based on reports from teachers, health workers and members of the local churches in areas with long-standing, high levels of out-migration in Ecuador.

It may be remarked here that available evidence from the literature on remittances appear to have conflicting results as some results support a positive and direct relationship between remittances and human development indicators, while others support a negative and indirect relationship between remittances and human development indicators. In the case of a negative and indirect relationship, migration might actually exhibit some disruptive effects on family life which in turn will likely hamper school performance of migrant's children.

### 3. Methodology and Data

The methodological approach utilized in this study include the descriptive analysis of the envisaged relationships. The study first identified five geographical regions in the country for analytical purpose only. These include: north, south-east, south-south, south-west and Lagos. Households receiving remittances across Nigeria are then grouped on the basis of their geographical locations. The household remittance expenditure patterns for each region are finally captured in both absolute numbers and percentages and the results are then presented in diagrammatic and tabular forms. These results provide the basis for important inferences to be drawn and for conclusions to be reached.

#### 3.1 Data Sources and Variable Description

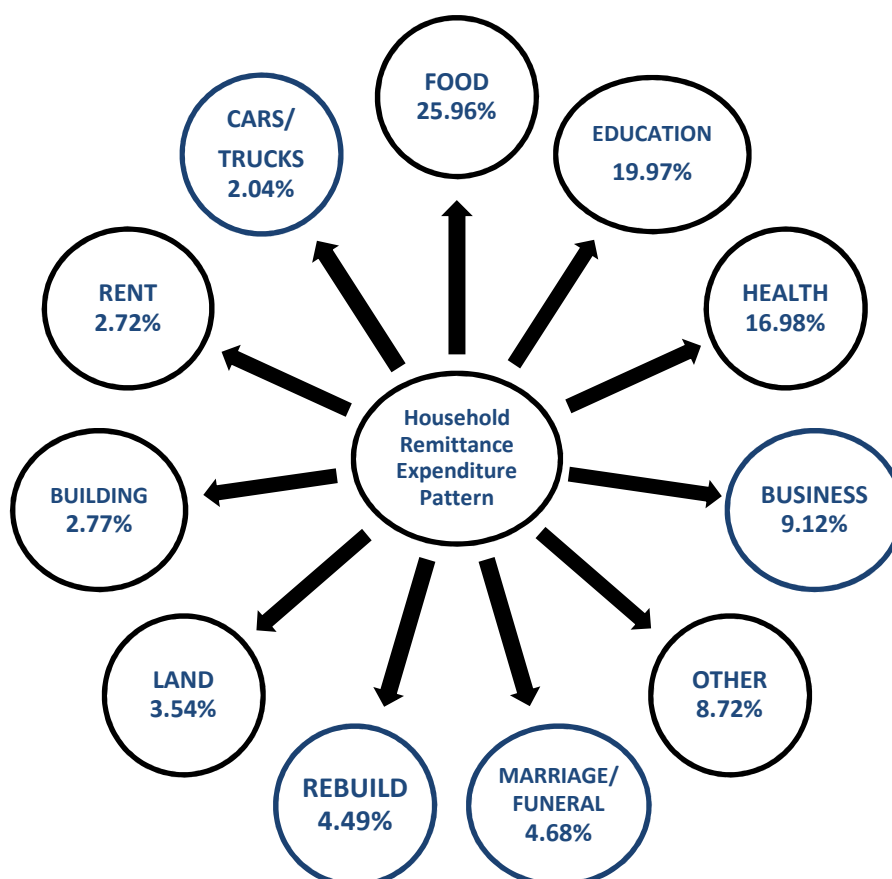
Household survey data were utilized for this study. The data were sourced from the World Bank 2009/2010 *Migration and Remittances Household Surveys in Sub-Saharan Africa* (MRHSS). Standardized methodology developed by the World Bank was used in the MRHSS and the surveys were conducted principally by country-based researchers and institutions during the 2009 and 2010 period. The surveys covered variables recent to the period such as; migration and remittance trends, housing conditions, household assets and expenditures, use of financial services, internal and international migration and remittances from former and non-former household members, (that is, individuals who regularly send remittances but have not been part of the current household) and return migration patterns.

A number of variables from the MRHSS were utilized in this study and they include: amount of remittances spent by household on food in past 12 months (*Food*), amount of remittances spent by household on education/apprenticeship in past 12 months (*Education*), amount of remittances spent by household on health in past 12 months (*Health*), amount of remittances spent by household on rent in past 12 months (*Rent*), amount of remittances spent by household on marriages/funerals in past 12 months (*Marr/Funeral*), amount of remittances spent by household on rent in past 12 months (*Rent*), amount of remittances spent by household on acquisition of cars/trucks in past 12 months (*Cars/Trucks*), amount of remittances spent by household on rebuilding existing houses in past 12 months (*Rebuild*), amount of remittances spent by household on building new houses in past 12 months (*Building*), amount of remittances spent by household on household business in past 12 months (*Business*), amount of remittances spent by household on acquisition of land in past 12 months (*Land*), Amount of remittances spent by household on other (unspecified) expenditure in past 12 months. These variables were collectively served as the basis of the descriptive analysis employed in this study.

### 4. Analysis of Result

Household remittance expenditure pattern in Nigeria is reported in Figure 1. The results reveal that 25.96 percent of households surveyed across the country spend their remittance receipts on food. This is followed by households spending their remittance income on education representing 19.97 of all households surveyed. The third item attracting household remittance expenditure in the country is health with 16.98 percent of surveyed households reporting that they spend their remittance income on health. 9.12 percent of households surveyed invest their remittance receipts in new businesses while 8.72 percent of households spend their remittance

receipts on undisclosed items. Expenditure on marriages and funeral is in the sixth place attracting 4.68 percent of all households surveyed in the country. This is followed closely by households spending their remittance receipts on rebuilding their houses which represents 4.49 percent of all households surveyed. Only 3.54 percent of households surveyed reported that they spend their remittance receipts on acquisition of land while 2.77 percent reported that they spend their remittance receipts on building new houses. 2.72 percent of households participating in the survey reported that they spend their remittance receipts on rent. At the bottom of the expenditure items is cars/trucks which attract only 2.04 percent of households surveyed in the country.



**Figure 1: Household Expenditure Patterns of Remittances in Nigeria by Item**

Source: Authors' compilation using data from *Migration and Remittances Household Surveys in Sub-Saharan Africa*

Clearly, food, education and health, which are key indicators of human development, represent the greatest concern of majority of households receiving remittances in Nigeria. At the same time, cars, rent, and building of new houses are of least concern to households receiving remittances in Nigeria. This remittance expenditure pattern strongly suggests a number of possibilities; first, households receiving remittances in the country are predominantly in the low income group which are bothered more by basic needs of life. Second, remittance flows to households in the country are only sufficient to address life basic needs in most cases and are rarely enough for capital investment in houses and cars. Third, many remittance receiving households may be dwelling in their own buildings already so there is less need by households surveyed to pay rent. It remains to be seen whether this observed remittance expenditure pattern for the entire country is reflected across the identified geographical regions in the country.

The remittance expenditure patterns of households across geographical regions in Nigeria is presented in Table 1. Regions are classified by location and concentration of migrant sending households across the country. While

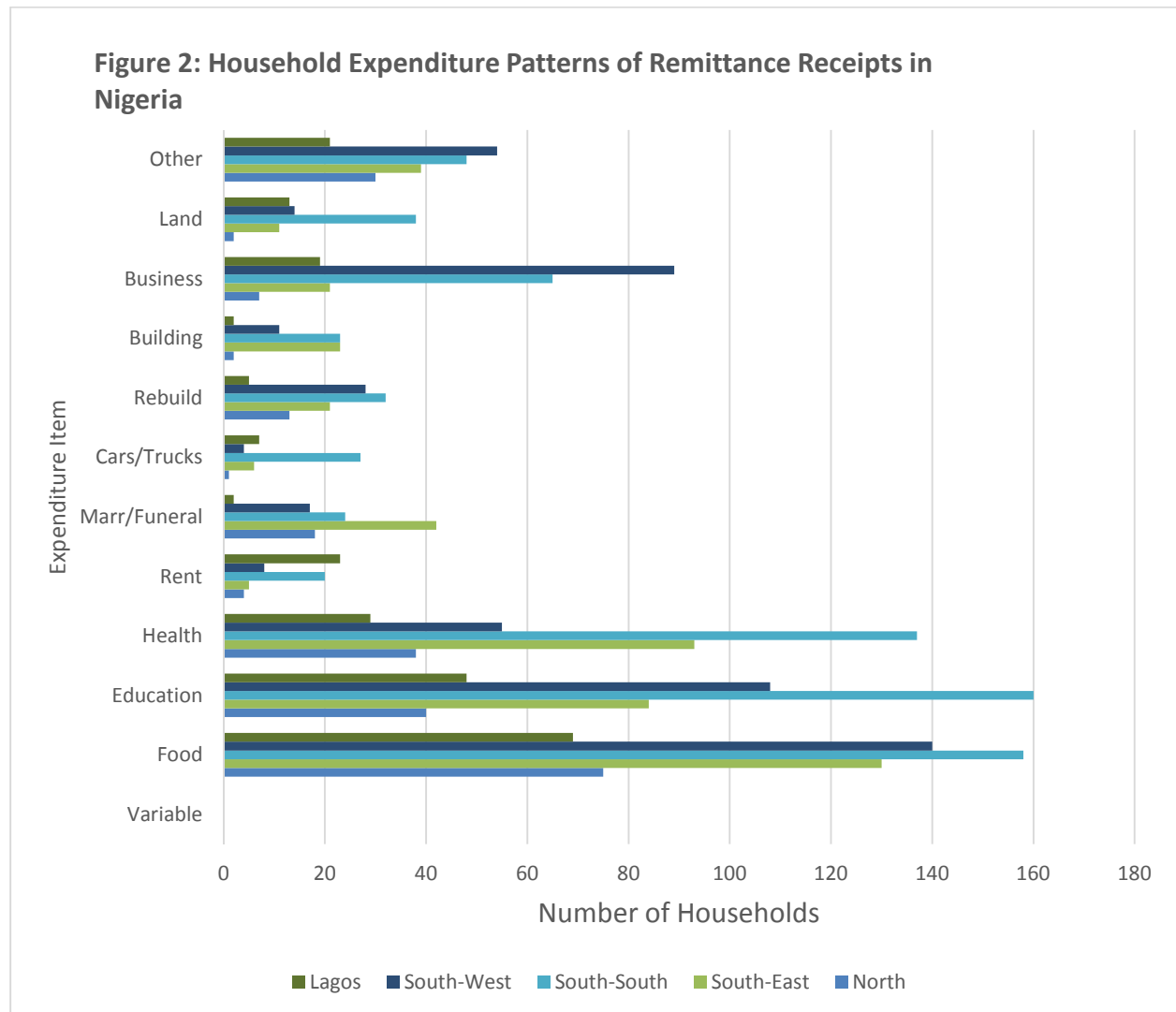
north comprises the eighteen northern states of the country, south-east, south-south, south-west and Lagos regions are all located in the southern part of the country. Although the top three items attracting households remittance expenditure remains food, education and health respectively across geographical regions in the country, the remittance expenditure patterns for the remaining items in each region do not differ considerably.

**Table 1: Household Expenditure Patterns of Remittances across Geographical Regions in Nigeria**

Region	North		South-East		South-South		South-West		Lagos		
Variable	Freq	Column (%)	Freq	Column (%)	Freq	Column (%)	Freq	Column (%)	Freq	Column (%)	Total
Food	75	32.61	130	27.37	158	21.58	140	26.52	69	28.99	572
Education	40	17.39	84	17.68	160	21.86	108	20.45	48	20.17	440
Health	38	16.52	93	19.58	137	18.72	55	10.42	29	12.18	352
Rent	4	1.74	5	1.05	20	2.73	8	1.52	23	9.66	60
Marr/Funera	18	7.83	42	8.84	24	3.28	17	3.22	2	0.84	103
Cars/Trucks	1	0.43	6	1.26	27	3.69	4	0.76	7	2.94	45
Rebuild	13	5.65	21	4.42	32	4.37	28	5.30	5	2.10	99
Building	2	0.87	23	4.84	23	3.14	11	2.08	2	0.84	61
Business	7	3.04	21	4.42	65	8.88	89	16.86	19	7.98	201
Land	2	0.87	11	2.32	38	5.19	14	2.65	13	5.46	78
Other	30	13.04	39	8.21	48	6.56	54	10.23	21	8.82	192
<b>Total</b>	<b>230</b>	<b>100</b>	<b>475</b>	<b>100</b>	<b>732</b>	<b>100</b>	<b>528</b>	<b>100</b>	<b>238</b>	<b>100</b>	<b>2203</b>

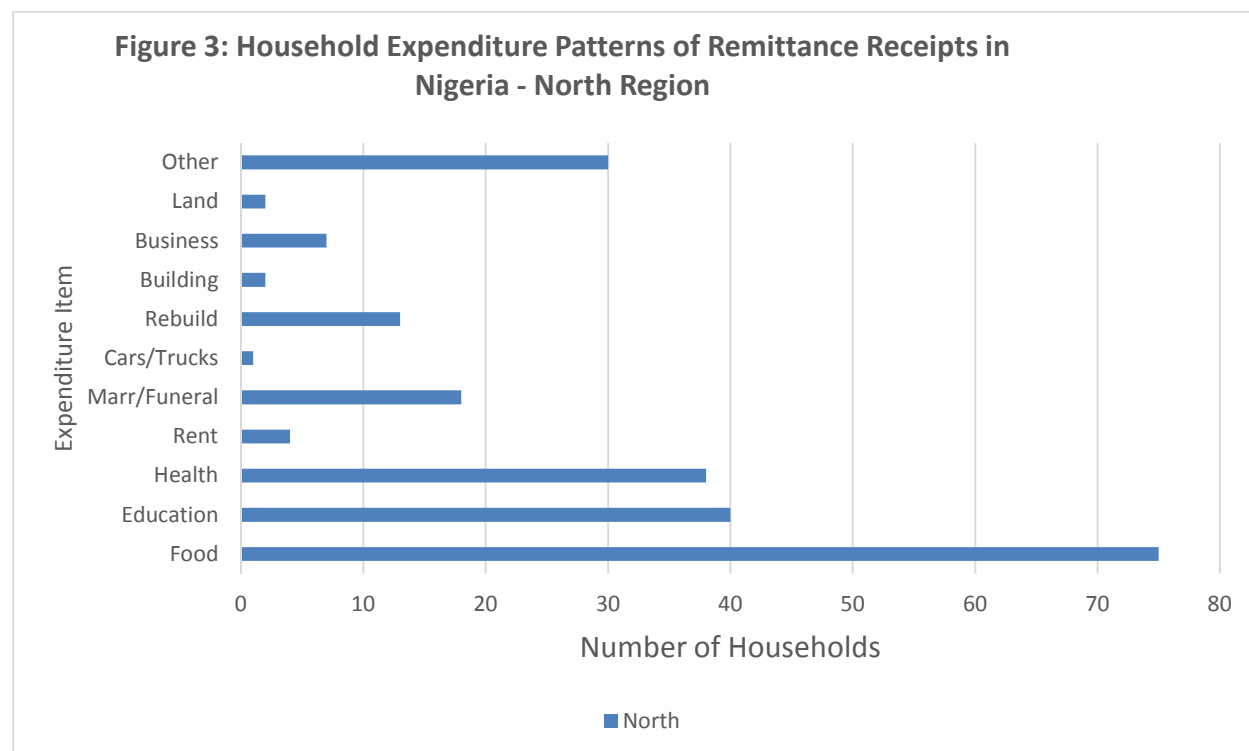
Source: Authors' compilation using data from *Migration and Remittances Household Surveys in Sub-Saharan Africa*

The results in Table 1 show that percentage of households spending part of their remittance receipts on food are highest in all regions except the south-south where the highest percentage of households spend their remittance receipts on education. In general, education and health take either the second or third place in terms remittance expenditure patterns by number of households. However, only the south-west region has expenditure on business taking the third place while health takes the fourth place in this region. The least number of households spend their remittance receipts on acquisition of `cars/trucks, payment of rent on housing, construction of new buildings.



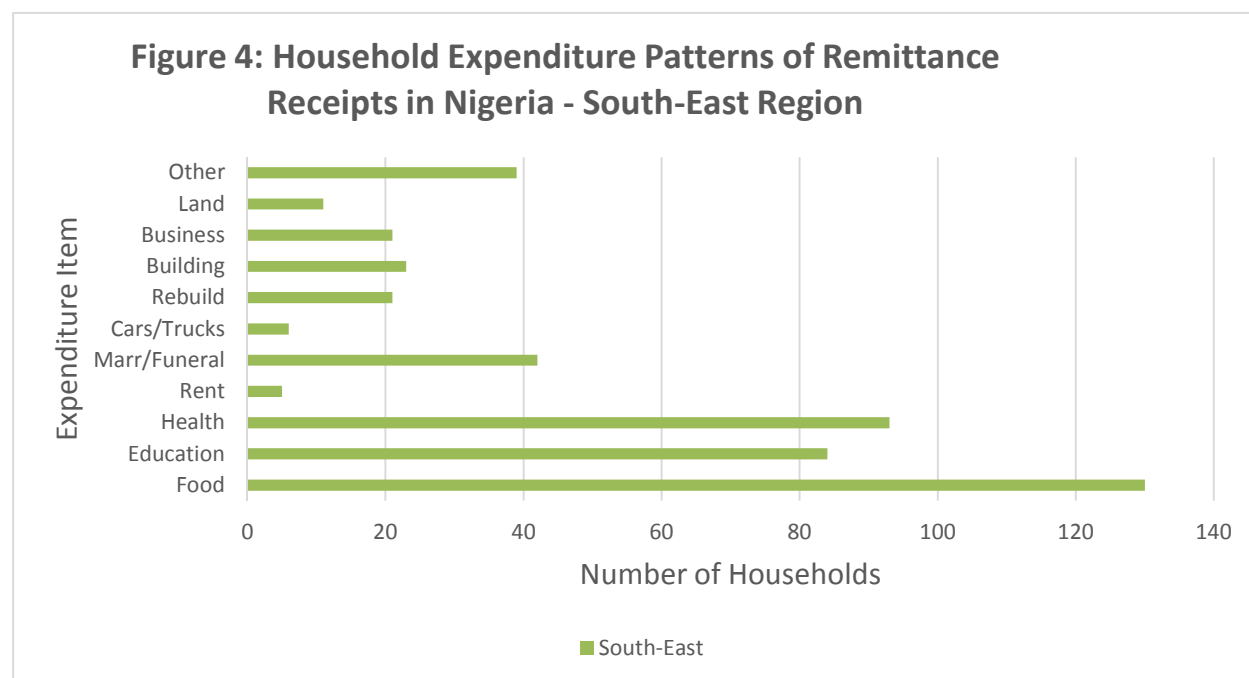
Source: Authors' compilation using data from *Migration and Remittances Household Surveys in Sub-Saharan Africa*

Household expenditure patterns of remittance receipts across geographical regions in Nigeria are shown in Figure 2. It is clear from the bar-charts that two key indicators of human development (education and health) are among the three top expenditure items (food, education and health) which the greatest number of households across geographical regions in the country reported that expend their remittance receipts on. Of particular interest is the fact that education turned out to be the single expenditure item attracting the largest number of households as can be seen from the south-south region of the country. This again emphasizes the focus on human development by remittance receiving households across regions in the country. On the contrary, it is evident that acquisition of cars/trucks are of least priority to remittance receiving households across geographical regions in Nigeria as the least number of households actually reported that they spend their remittance receipts on acquisition of cars/trucks.



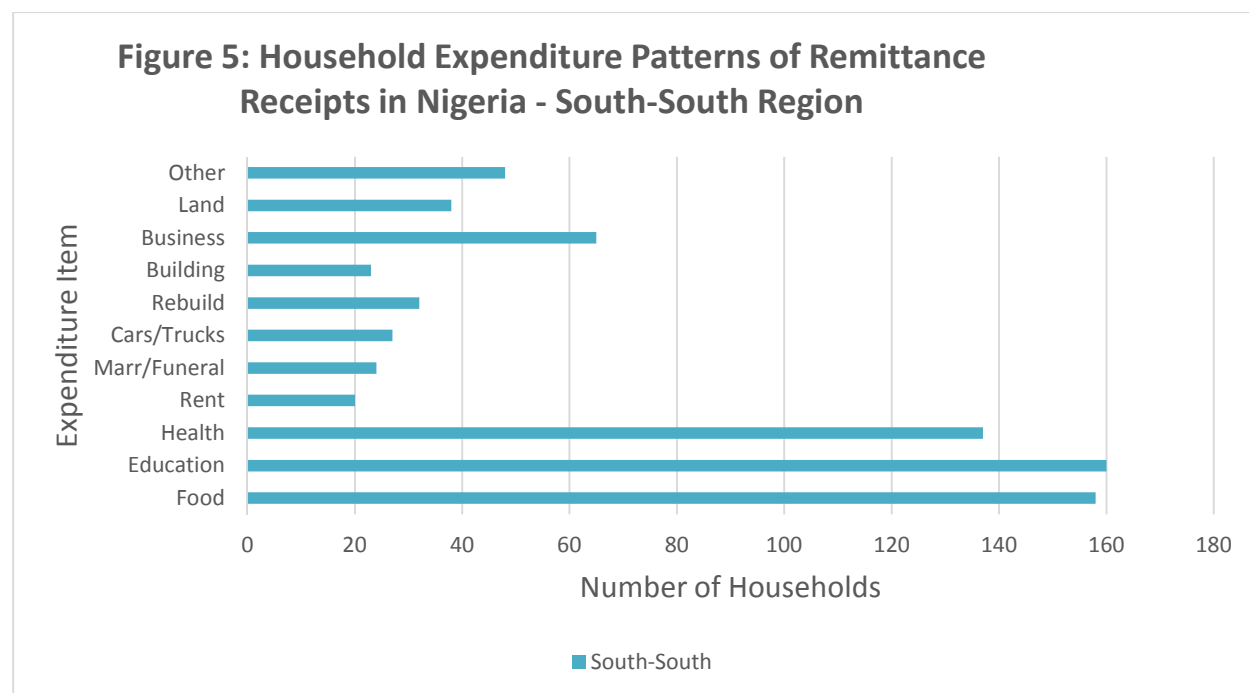
Source: Authors' compilation using data from *Migration and Remittances Household Surveys in Sub-Saharan Africa*

Figure 3 shows remittance expenditure pattern of households located in the north of Nigeria. Clearly, the greatest number of households in this region report that they spend their remittance receipts on food. Education and health follow while acquisition of cars/trucks represents has the least number of households in this region.



Source: Authors' compilation using data from *Migration and Remittances Household Surveys in Sub-Saharan Africa*

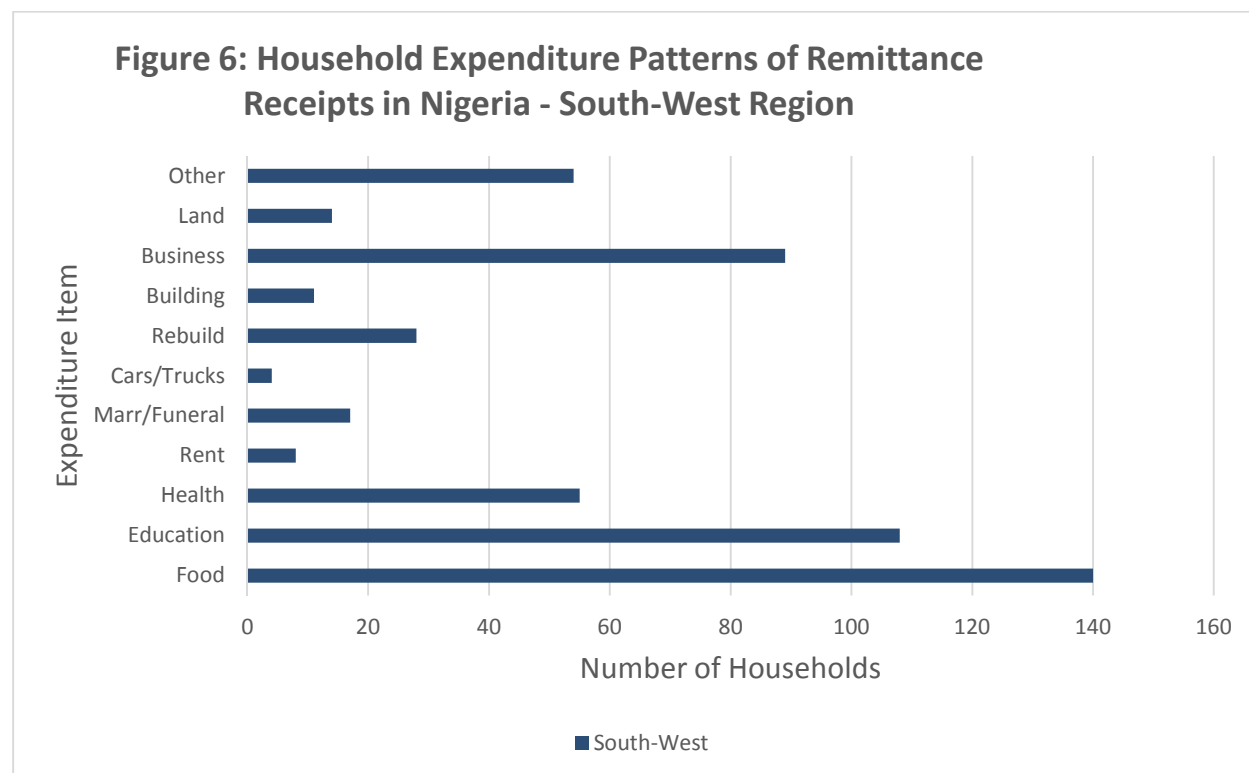
The results reported in Figure 4 again reveals that the greatest number of households in the south-east region of the country spend their remittance receipts on food. Unlike the north region however, health the second place among the top expenditure items while education takes the third place. The least number of households in this region of the country also reported that they spend their remittance receipts on payment of housing rent.



Source: Authors' compilation using data from *Migration and Remittances Household Surveys in Sub-Saharan Africa*

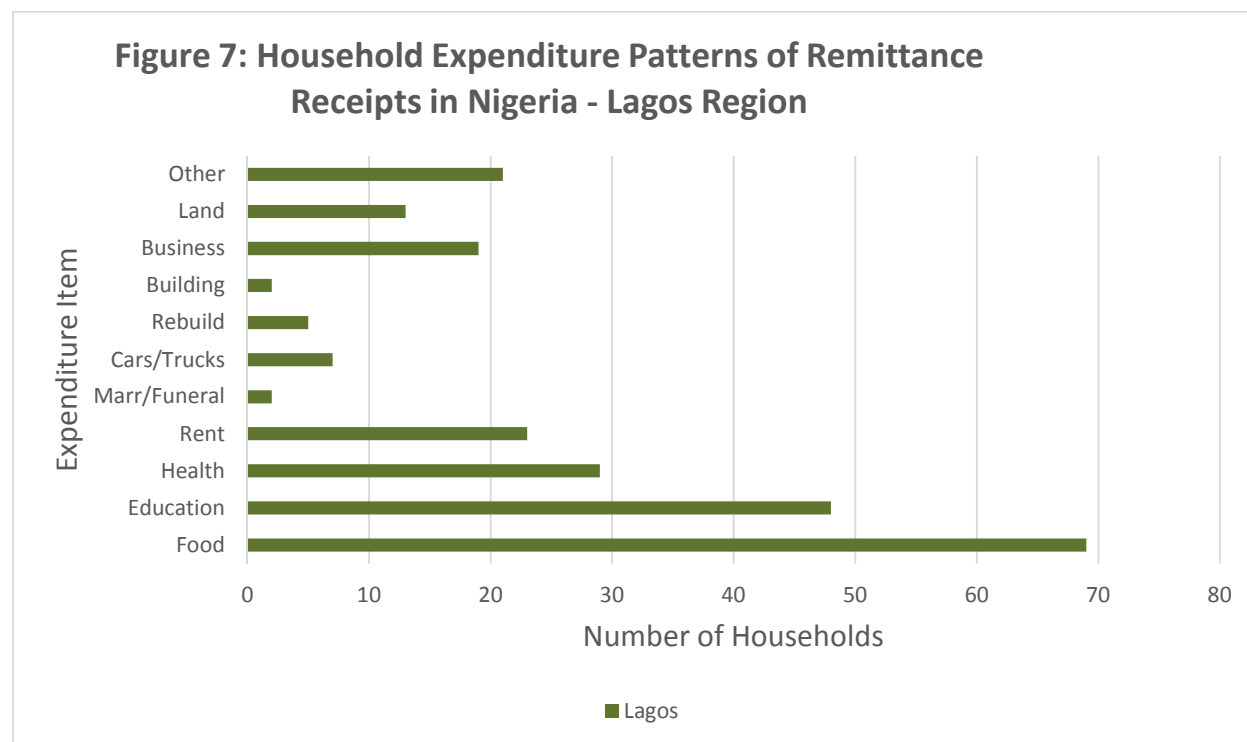
Unlike the other geographical regions in Nigeria, the largest number of remittance receiving households in the south-south region of Nigeria report that they spend their receipts on education. This is shown in Figure 5. Interestingly, those expending their remittance receipts on education are closely trailed by those spending their remittance receipts on food and health. As was the case with the south-east region, the least number of households in the south-south region of the country also reported that they spend their remittance receipts on payment of housing rent.





Source: Authors' compilation using data from *Migration and Remittances Household Surveys in Sub-Saharan Africa*

Figure 6 shows a remarkable departure from the pattern seen in the first three geographical regions already discussed where food, education and health happened to be the top three remittance expenditure items attracting the greatest number of households. Food and education remained the top two expenditure items by remittance receiving households in this region. However, the third largest group of households in the south-west region of the country reported that they spend their remittance receipts on investment in new or existing businesses. As in some of the other regions discussed above, the least number of households reported that they spend their remittance receipts on acquisition of cars/trucks.



Source: Authors' compilation using data from *Migration and Remittances Household Surveys in Sub-Saharan Africa*

Remittance receiving households in the Lagos region reported an expenditure pattern that is slightly different from the other regions. While expenditure on food, education and health are top three priority areas for households in this region, expenditure on housing rent is the priority of the fourth largest group of remittance receiving households in the Lagos region of the country. This is in sharp contrast with the pattern in all the other regions where expenditure on housing rent was given priority by the lowest number of households. This reality reveals the metropolitan nature of the Lagos region of Nigeria.

## Conclusion

The study examined the relationship between household remittance expenditure patterns and the human development implications in the various geographical regions of Nigeria. In terms of share of remittance receipts expended on different items by households in Nigeria, food, education and health, are found to be expenditure items of priority to the greatest number of households in the country. Two of these expenditure items (education and health) are interestingly key human development indicators suggesting strongly that household remittance receipts are in fact expended on items that promote human development in Nigeria.

One other major finding is that household expenditure patterns of remittance receipts in Nigeria do not have any significant regional characterization because considerable similarities in remittance expenditure patterns exist across the regions. While priority is given to expenditure on food in the south-east, south-west, north and Lagos regions, households in the south-south region find expenditure on education to be of greatest priority. While expenditures on food, education, health and businesses are the top four priority areas for remittance recipient households, acquisition of cars/trucks, payment of housing rent and investment in building projects are the last three priority areas of priority for most remittance receiving households across regions in the country. In view of these findings, a harmonized will be appropriate for the entire country.

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